Bell Global Emerging Companies Fund

Bell ASSET MANAGEMENT

Commentary — Period Ending 31 March 2017

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Fund Overview

Asset Allocation	Long Only Global Small and Mid Cap Equities
Strategy Inception Date	June 2016
Fund Size	$27m
Entry Unit Price	1.0102
Index	MSCI World SMID Cap Index

Performance

The Bell Global Emerging Companies Fund appreciated by 2.37% in March, outstripping the MSCI World SMID Cap Index return of 1.61%.

Market Activity

While global equity markets have continued to rally strongly through Q1 this year, we feel that the Trump rally is starting to run out of steam.

President Trump's election victory fuelled a sharp appreciation in deep cyclical stocks and financials as investors were arguably wrong footed by the result.

The market rally has been diverse, at a geographic level, the MSCI North America, European and Asia Pacific indices all appreciated by more than 5.50% in USD terms.

At a sector specific level, with the exception of Energy (which declined by 5.59%) all of the major GICS Sectors delivered positive returns. The relative performance marked a decent reversion to what we saw late last year, when the deep cyclicals charged higher and Health Care lagged materially.

MSCI World GICS Sector Performance Q1 2017 (USD terms)	**Quarterly Return**
Consumer Discretionary	6.92%
Consumer Staples	6.56%
Energy	(5.59%)
Financials	4.11%
Health Care	7.83%
Industrials	6.34%
Information Tech	11.95%
Materials	6.32%
Real Estate	3.48%
Telecommunications	0.49%
Utilities	5.88%

We feel that the Trump related euphoria which has driven markets higher in recent times is losing momentum.

The inability of the administration to get its health care reform through Congress indicates the difference between talking about an agenda and actually getting legislation passed.

While many of the pillars of the Trump agenda are pro-growth, we feel that these policies will take time to implement and the market has gotten a little ahead of itself. Tax reform and large scale infrastructure spending are both badly needed in the U.S. but they won't happen overnight.

Performance Attribution

As already mentioned, the fund managed to outperform the index by 0.76% for the month. At a more granular level, there were some notable drivers of relative performance:

- Our relative sector allocation helped our relative performance: Underweight Energy & Real Estate, Overweight Health Care.
- Our relative geographic allocation also worked in our favour – specifically, our Overweight position in Europe and Underweight position in Asia Pacific helped us.
- While the fund is only exposed to Small & Mid Cap companies, our current skew to Mid cap's also helped as Smaller companies had a more difficult first quarter.
- Our better performers were: Check Point Software, Distribuidora Internacional, MSCI, Britvic & Novozymes
- Our poorer performers were: Advanced Auto, Dun & Bradstreet, Tractor Supply, Dollar General & Huhtamaki.

Trade Activity

Over the course of the quarter, our trading activity has been consistent with the application of our QARP process in what has been a particularly strong market. As valuations have drifted higher, more of our holdings have reached or crept closer to their target prices. As a result we have trimmed / sold various positions and rotated into a combination of new and existing positions which we feel collectively represent better value.

"Our portfolio consists of a diversified array of very high quality companies that are lowly correlated to each other and collectively represent excellent value for what they are"

At a sector level, these changes have resulted in a handful of subtle changes:

- We have reduced our exposure to Financials & Health Care by 3.7% and 2.9% respectively.
- We have increased our exposure to IT & Materials by ~ 3% each.

At a stock specific level, we have made a handful of changes:

- Introduced positions: Ingenico, Rightmove & Sealed Air
- Exited positions: Factset, Parexel, Rockwell Collins & Synchrony Financial

Portfolio Positioning

The "Reasonable Price" part of QARP is arguably what has triggered the recent changes in our portfolio. In other words, we have been diligently selling / trimming positions whose valuations have become increasingly stretched with a view to protecting our clients capital to the best of our ability.

While we are not predicting a large prolonged correction, we would not be surprised if global equity markets went through a consolidation period over the next few months. Our experience tells us that we should be 'early & disciplined' and take profits in our better performers, and that is precisely what we have done. By way of illustration, below we have tabled the change in the Free Cash Flow Yield of our portfolio against that of the MSCI World SMID Cap Index.

While the changes themselves haven't been overly meaningful, given the strength in the market itself it does show that we have been able to control portfolio valuation risk. We would also highlight that the FCF yield of our portfolio is at a significant premium to that of the index - the implication being that it is meaningfully less expensive than the market itself. We believe this attribute will hold the portfolio in good stead throughout the course of the year.

Free Cash Flow Yield
Portfolio vs MSCI World SMID Index

	Dec 16	Mar 17	Change
BGEC	5.30%	5.28%	0.02%
Index	3.98%	3.76%	-0.22%
Relative	+1.32%	+1.52%	

Outlook

As we look ahead, we remain constructive about the outlook for the global economy and equity markets as a whole. Notwithstanding our suspicion that we could see a short-term pull back in equities, we feel that vast majority of global corporates are generally in a pretty healthy state. We also remain quite positive about the U.S. & European economies in particular, where we saw some incremental improvement in economic conditions throughout the course of 2017.

Our portfolio consists of a diversified array of very high quality companies that are lowly correlated to each other and collectively represent excellent value for what they are. At a portfolio level, our companies have an ROE of 24.9% and Net Debt / Equity ratio of 1.0, which means that our portfolio is vastly more profitable and less levered than the market as a whole. Needless to say that we feel that our portfolio is extremely well positioned to perform well.

Bell Global Emerging Companies Fund^

Bell ASSET MANAGEMENT

Fund Summary — Period Ending 31 March 2017

Net Performance^

	Fund	Index*	Relative
1 Month	2.37%	1.61%	0.76%
3 Months	1.14%	0.54%	0.60%
6 Months	6.05%	7.75%	-1.70%
Inception^	3.81%	11.76%	-7.95%

* Index is the MSCI World SMID Cap Index.

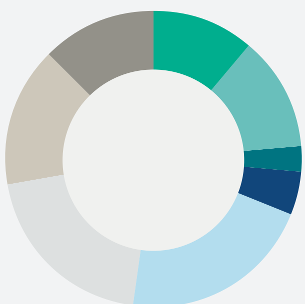
^ The Bell Global Emerging Companies Fund was established in November 2012 under a different name and with a different investment strategy. The fund has operated under its current name and strategy since 27 June 2016 (Inception).

Best & Worst Performers — Quarter

Top 5 - Relative Contribution	
Check Point Software Tech	0.30%
MSCI Inc	0.18%
Distribuidora Internacional	0.16%
Novozymes A/S	0.13%
Britvic Plc	0.12%

Bottom 5 - Relative Contribution	
Advance Auto Parts Inc	-0.60%
Dun & Bradstreet Corp	-0.57%
Tractor Supply Company	-0.53%
Dollar General Corp	-0.40%
Huhtamaki OYJ	-0.35%

Sector Exposure



Financials	11.3%
Materials	12.3%
Cash	2.9%
Consumer Staples	4.6%
Industrials	21.2%
Consumer Discretionary	20.1%
Information Technology	15.1%
Health Care	12.4%

Geographic Exposure

Cash	2.9%
Europe	47.3%
North America	49.8%

Top 10 Holdings

Company	Sector	Geography	Weight
Publicis Groupe	Consumer Discretionary	FR	3.3%
Tractor Supply Company	Consumer Discretionary	US	2.9%
Dun & Bradstreet Corp	Industrials	US	2.8%
Coloplast	Health Care	DK	2.7%
Intl Flavors & Fragrances	Materials	US	2.7%
Novozymes A/S	Materials	DK	2.7%
Dollar General Corp	Consumer Discretionary	US	2.6%
Gartner Inc	Information Technology	US	2.6%
Advance Auto Parts Inc	Consumer Discretionary	US	2.6%
Fiserv Inc	Information Technology	US	2.6%

Investment Metrics

	Portfolio	Index	Relative
Risk			
Total Risk	13.1	11.6	
Number of Stocks	43	5117.0	
Active Share	96.4		
Value			
P/E	18.0	18.6	97%
PEG Ratio	2.1	1.9	111%
EV/EBITDA	11.5	11.6	99%
Growth			
Sales Growth	1.2%	NA	
EPS Growth	2.6%	NA	
Quality			
Return on Equity	24.9	7.1	351%
Net Debt / Equity	1.0	2.4	42%

Key Features

Investment Objectives	Outperform the index over rolling three year periods
Asset Allocation	Long only global small and mid cap equities, No gearing, No derivatives
Investment Style	Fundamental bottom up approach "Quality at a reasonable price"
Investment Highlights	• A diversified portfolio of small and mid cap (SMID) global stocks • 'Quality' focus - consistently high returning companies • Long-term horizon - typically 3-5 year holding periods • Benchmark agnostic • Diversified portfolio structure • Maximum cash position 10% • Highly experienced investment team
Benchmark	MSCI World SMID Cap Index
Currency Exposure	Unhedged
Investment Timeframe	At least 5 years
Number of Holdings	35 - 55

Fund Terms

Fund Inception Date	November 2012
Strategy Inception Date	June 2016
Product Structure	Registered Managed Investment Scheme
Investment Manager	Bell Asset Management
Responsible Entity	Bell Asset Management
Custodian	National Australia Bank
Unit Pricing & Liquidity	Daily Published on www.bellasset.com.au & market data services Applications using application form attached to the PDS Redemptions typically paid out within 10 days
Minimum Investment	Minimum investment - $10k Minimum transaction - $5k
Indirect Cost Ratio	1.96% p.a No performance fees, No entry or exit fees
Buy / Sell Spread	+/-0.20%
Reporting	Transaction confirmations upon transacting, annual periodic statement, tax statement, distribution statement and Annual Financial Report
Income	Annual distribution of taxable income

Contact Details

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